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TO

**THE
BONNEVILLE POWER ADMINISTRATION**



REPORT OF THE INDEPENDENT EVALUATOR REVIEW AND VALIDATION OF FILINGS

July 18, 2013

Submitted by:

ACCION GROUP, INC.
244 North Main Street
Concord, New Hampshire 03301
advisors@acciongroup.com

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REPORT OF ACCION GROUP, INC. INDEPENDENT EVALUATOR FOR BONNEVILLE POWER ADMINISTRATION

I. EXECUTIVE SUMMARY

Accion Group, Inc. (“Accion”) was selected by Bonneville Power Administration (“Bonneville” or “BPA”) to serve as Independent Evaluator (“IE”) for the Oversupply Management Protocols Program (“Program”). Accion created and administers the website through which the Program is managed.

The Program is conducted primarily through the Program website designed to the specifications identified by Bonneville. There were no direct discussions between Generators and Bonneville about the Program, other than during one pre-release WebEx conference. The website provided a form to be completed by Generators for each generating facility that fed into the Bonneville transmission system. Bonneville designed the Program to avoid delay to correctly crediting Generators that would have occurred had Generator claims been subject to extensive review at the time each Generator provided cost data. In summary, the Program provided for the Independent Evaluator to randomly select and review the submissions of Generators to, in effect, “spot check” the data that was provided.

The verification of information by the IE was more efficient in 2013 than in 2012 thanks to Bonneville’s requirement that, in 2013, Generators provide supporting documentation at the time of submitting cost data. The original verification request was sent out on April 23, 2013. Three of the selected Generators responded immediately. Reminder notices were sent to the remaining seven on May 1, 2013. At least an initial response was received from each of these seven by May 15, 2013. Several of these seven responses required further communication to clarify and complete. This enabled the entire verification process to be completed in approximately six weeks.

As discussed below, the IE sought information in a variety of ways, including direct telephone and email contact, and was able to procure supporting information for all oversupply claims. The cooperation of the Generators made the timely completion of this evaluation much more efficient than experienced in 2012.

II. DATA COLLECTION PROCESS

Information from Generators was collected on the Program website. Each Generator was provided a confidential, individual Submittal Book. The Submittal Book had a separate file system for each generating facility identified by the Generator. In a few instances, Generators responded to telephone inquiries with return calls and direct email responses.

When the program was initiated, Generators were provided with the option of providing specific monthly displacement cost data for Light Load Hours (“LLH”) and Heavy Load Hours (“HLH”) for each month. Unlike 2012, each Generator was required to provide cost data for each month, even if that was to complete the submission form with “0” for all cost fields. When completing the online form, Generators were provided with the opportunity to revise their statement of costs before submission. Also, Generators are permitted to revise cost data on a prospective basis, with the revised cost data being employed two months after the month in which the revision was submitted. The data provided by Generators is summarized on Table 1.

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Table 1

Submittal No.	Plant Name	Zero Costs?	Required Doc Provided?	Support Docs	Req Doc Explanation
65-1	Redacted	No	Y	Y	PPA
66-1	Redacted	No	Y	Y	Invoice of Power Delivery
66-2	Redacted	No	Y	Y	Invoice of Power Delivery
66-3	Redacted	No	Y	Y	Invoice of Power Delivery
66-4	Redacted	No	Y	Y	Invoice of Power Delivery
66-5	Redacted	No	Y	Y	Invoice of Power Delivery
66-6	Redacted	No	Y	Y	Invoice of Power Delivery
66-7	Redacted	No	Y	Y	Invoice of Power Delivery
66-8	Redacted	No	Y	Y	Invoice of Power Delivery
66-9	Redacted	No	Y	Y	Invoice of Power Delivery
66-10	Redacted	No	Y	Y	2013 REC Deals and Market
66-12	Redacted	No	Y	Y	2013 REC Deals and Market
67-1	Redacted	No	Y	Y	PPA
67-2	Redacted	No	Y	Y	PPA
67-3	Redacted	No	Y	Y	PPA
68-1	Redacted	No	Y		Letter to BPA/IE, with calculation
					explanation
71-1	Redacted	No	Y	N	PPA
73-1	Redacted	No	Y	Y	Transaction confirmation
73-2	Redacted	No	Y	Y	Transaction confirmation
73-3	Redacted	No	Y		Transaction confirmation
74-1	Redacted	No	Y	Y	PPA
75-2	Redacted	No	Y	Y	Email re REC sale agreement
77-1	Redacted	No	Y	Y	PPA
77-2	Redacted	No	Y	Y	PPA
80-1	Redacted	No	Y		PPA
82-1	Redacted	No	Y		PPA
82-2	Redacted	No	Y		PPA
84-1	Redacted	No	Y		Example of Revenue requirement
					on non-taxable items
100-1	Redacted	No	Y		Email correspondence with PGE re pricing
101-2	Redacted	No	Y	Y	Redacted Pricing spreadsheet
103-1	Redacted	No	Y		Redacted Research pricing index

As summarized on Table 1, the information required by Bonneville was minimal and was production was not burdensome.

III. VERIFICATION PROCESS

The verification process was undertaken in a manner to minimize burden on Generators. Accordingly, all facilities for which the respective Generator had claimed no costs were removed from the list of potential facilities that could be subject to verification inquiry. Next, Accion created a model to randomly select the submissions that would be subject to additional scrutiny, from the remaining submissions. The model was run repeatedly to confirm that random re-sorting occurred, and to effectively scramble the submissions. To avoid

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even the appearance of predetermination, the submissions were entered into the process using the submission identification number, and not the name of the Generator or the project name.

From this random sorting the first ten (10) submissions were selected for verification review.

Table 2

IE RANDOM SORT OF SUBMISSIONS, WITHOUT THE "OPT OUT" SUBMISSIONS	
77-2	Redacted
66-10	Redacted
101-2	Redacted
68-1	Redacted
65-1	Redacted
73-1	Redacted
67-3	Redacted
82-1	Redacted
84-1	Redacted
74-1	Redacted
75-2	Redacted
66-7	Redacted
66-9	Redacted
66-5	Redacted
73-3	Redacted
80-1	Redacted
66-4	Redacted
66-1	Redacted
71-1	Redacted
67-1	Redacted
82-2	Redacted
66-3	Redacted
67-2	Redacted
103-1	Redacted
100-1	Redacted

Table 2 identifies the ten submissions selected for verification by the IE, and presents the numeric sorting produced by the model run for the remaining Generators. Once the random ranking of submissions was completed, the submissions to be included in the verification were the ones with the lowest numeric value.

In April 2013, each of ten Generators selected was informed that it had been selected for verification and each was requested to complete a form detailing the cost components claimed. The submissions selected for verification were provided a simple form to complete. The form was created by Accion and reviewed by Bonneville before being presented to any Generator. **Table 3** (below) is the form sent to the selected submissions. Each request was delivered with the Total Displacement Cost, as filed by the Generator, provided, along with a breakdown of the possible components that would total to the claimed cost. The form tallied the costs entered by the Generator in order to minimize the need for a subsequent filing. Each Generator was also given the opportunity to provide additional information, either by including it on the chart or by uploading additional documentation.

At the request of Bonneville, the form was designed for easy completion, as it was limited to information that, presumably, each Generator relied upon when providing the original calculation of costs. Also, Bonneville requested that the verification process be straightforward, and not require extensive research or lengthy and detailed accounting by Generators in order to avoid disincentive to cooperate.

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Table 3

2013 INDEPENDENT EVALUATOR VERIFICATION OF DISPLACEMENT COST			
	Heavy Load Hours [HLH]	Light Load Hours [LLH]	Documentation
Total Displacement Cost --as presented on the most recent Submission	\$0.00	\$0.00	
Energy Cost - Pursuant to a PPA	\$0.00	\$0.00	
Bundled RECs and Energy and PTC	\$0.00	\$0.00	
Unbundled Contract RECs and PTC	\$0.00	\$0.00	
Unbundled Market RECs and PTC	\$0.00	\$0.00	
RECs Only	\$0.00	\$0.00	
PTC Only	\$0.00	\$0.00	
Penalty Costs	\$0.00	\$0.00	
Total claimed Displacement Cost	\$0.00	\$0.00	

As noted, the IE sought minimal information to limit the burden on Generators. The initial verification request was sent to the selected Generators on April 23, 2013. Three responded immediately and seven did not. A reminder was sent to the seven who had not responded on May 1, 2013. Four more responses were received.¹ An initial request for verification data was sent to 75-2 on May 10, 2013. At this point there were only three participants from the original list of ten that had not responded. They were contacted by telephone with a personal request from the IE to respond. By May 20, 2013, contact had been established with all ten of the remaining participants. Of the ten randomly selected participants, two had incorrect contact information. This caused some difficulty in establishing the proper contact individual and in obtaining responses.

In the following paragraphs Accion details the basis for its verification as of May 31, 2013, and the reasons it could verify all ten submittals.

The following, **Table 4**, is a summary of the review of each of the ten submissions selected for verification. This is followed by a brief description of the attempts to collect information for Generators, and the status of each verification attempt for the selected submissions.

¹ After the start of the verification process a Generator confirmed for the IE that the facility was no longer in the BPA control area. After consulting with BPA, the IE removed their name from the verification list and went to number 11 on the random list, which was 75-2. This data was displayed on Table 2.

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Table 4

SUMMARY OF VERIFICATION REVIEW BY INDEPENDENT EVALUATOR AS OF JANUARY 31, 2013							
Submittal No.	HLH	LLH	Sufficient Response for IE to Verify	If Insufficient, why	Sufficient support provided by		
					PPA	Third Party Bid	Other Documentation
67-3	Redacted	Redacted	Yes		XXX		
65-1	Redacted	Redacted	Yes		XXX		XXX
68-1	Redacted	Redacted	Yes				XXX
66-10	Redacted	Redacted	Yes				XXX
74-1	Redacted	Redacted	Yes		XXX		XXX
75-2	Redacted	Redacted	Yes			XXX	XXX
77-2	Redacted	Redacted	Yes		XXX		XXX
82-1	Redacted	Redacted	Yes		XXX		XXX
84-1	Redacted	Redacted	Yes				XXX
101-2	Redacted	Redacted	Yes				XXX

Submittal 65-1

This Generator responded on May 2, 2013, after the first reminder. Costs of REDACTED were claimed in both the heavy and light load hours. This was validated by a reference to the PPA which had been previously filed.

Submittal 67-3

This Generator received the initial request and responded on April 29, 2013. They submitted the completed IE verification form and referred to the previously provided PPA on page six which says that the energy price during the term of the contract shall be equal to the fixed price of \$REDACTED per MWh.

Submittal 66-10

This Generator responded on May 7, 2013, after the first reminder notice. The original response showed a displacement cost based upon the value of renewable energy credits of \$REDACTED. Subsequent communication on May 10, 2013, indicated that a review of their documentation showed that cost summaries mistakenly represented one of the lower price contracts as continuing for all of 2013 rather than being removed after the first quarter. This error understated the average displacement costs. Additional data was provided that showed the corrected displacement cost to be \$REDACTED.

Submittal 68-1

This Generator responded on May 13, 2013, after the first reminder notice. This submittal included a project cost summary spreadsheet that showed monthly cost values for all generation. Day ahead normal generation was contrasted to actual deliveries, the difference reflected generation not

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delivered. The generation not delivered was priced based upon costs shown and the resulting \$REDACTED was supported.

Submittal 74-1

This participant was not responsive to either the initial request for data or the reminder. Several phone messages were left before the designated contact individual was successfully contacted. Following this successful contact, data was sent directly to the IE on May 15, 2013. This submittal included monthly data for each month in 2013, showing both heavy load hours and light load hours. Additional documents were also included the first is their standard contract off system power purchase agreement which shows this to be a fixed price contract. The second is schedule 201, which includes two tables, one for off peak and the other for on peak pricing. Both show monthly values that support the claimed monthly costs.

Submittal 75-2

This participant was number eleven on the random listing and was not notified of the need for their participation until May 10, 2013. They responded quickly with a copy of their contract showing the pricing of the renewable energy credits for January 15, 2013, through July 15, 2013. These costs supported their claimed cost for avoided generation.

Submittal 77-2

This submittal claims displacement costs based on costs included in an amended and restated power purchase agreement. The document submitted shows the calculation methodology for the 2013 power purchase price and the data used to arrive at the claimed displacement cost.

Submittal 82-1

This participant was one of the three who responded immediately. They supplied a renewable resource power purchase agreement. On page five of that agreement the contract price claimed for 2013 displacement cost was clearly listed.

Submittal 84-1

This participant was notified of the need for their participation on April 23, 2013. A reminder was sent to them on May 1, 2013. When there was still no response, a call was placed on May 15, 2013. The designated contact person for this Generator called back and indicated that they were not the correct point of contact. However, they were able to immediately put the IE in contact with the proper individual, who was able to provide responsive information. A document was posted in the filings by Generator portion of the website, which showed the legislated value of the PTC to be \$REDACTED per MWh. When that value is grossed up by the company's tax rate the claimed displacement cost of \$REDACTED is supported.

Submittal 101-2

This participant was notified, as were the other participants, on April 23, 2013. A reminder was sent on May 1, 2013 that still did not elicit any response. Phone message were left on May 14, 2013 and May 16, 2013, without any response. On May 17, 2013 the IE received a return call from the designated

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contact individual. That response indicated that they were not the correct contact person, but that there were two possible other people who could supply the data. On May 17, 2013 an email request was sent to those individuals. On May 20, 2013 the IE received an email response from one of those two, indicating that they thought that they could supply the need information, but wanted some clarification. Clarifying email messages were exchanged and the data was sent to the IE on May 27, 2013.

The data supplied contained three documents. The first showed broker quotes for a local market hub for replacement energy in proximity to the Generators location. The mid-market price from this hub was calculated as the average of the bid and offer prices. The second document contains broker quotes for renewable energy credits and for California carbon allowances. For both of these the average of the bid and asked price was taken. The third document added the energy cost, renewable energy credit cost and the carbon allow value to produce the claimed displacement costs.

Table 5

SUMMARY OF VERIFICATION REVIEW BY INDEPENDENT EVALUATOR			
Submittal #	Sufficient Response for IE to Verify	HLH	LLH
67-3	Yes	REDACTED	REDACTED
65-1	Yes	REDACTED	REDACTED
68-1	Yes	REDACTED	REDACTED
66-10	Yes	REDACTED	REDACTED
74-1	Yes	REDACTED	REDACTED
75-2	Yes	REDACTED	REDACTED
77-2	Yes	REDACTED	REDACTED
82-1	Yes	REDACTED	REDACTED
84-1	Yes	REDACTED	REDACTED
101-2	Yes	REDACTED	REDACTED

IV. OVERVIEW OF THE QUALITY OF DATA PROVIDED

In addition to the Verification Process, Accion conducted a summary review of all submissions, other than by Generators who opted out of the process. This review was undertaken at the request of Bonneville, with the goal of summarizing the quality of information provided by the responding Generators.

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Table 6
Verification Summary

Submittal #	Sufficient Response for IE to Verify
66-1	No
66-3	No
66-4	No
66-5	No
66-7	No
66-9	No
67-1	Yes
67-2	Yes
71-1	Yes
73-3	No
80-1	Yes
82-2	Yes
100-1	No
103-3	No

As part of the initial submission process, Generators were required to provide supportive documentation for claimed costs. Generators were invited to provide more than one document, but the on-line form required the production of at least one supporting document before a submission could be posted. This approach was used to avoid delay in implementing the Program in order to conduct in-depth due diligence review of each cost claim.

Such an approach would have resulted in delaying claimed compensation in the event of curtailment, which Bonneville determined would be an inappropriate complication for Generators. The Program is premised on Generators providing correct data that would be supported by documentation upon request of the Independent Evaluator as part of a verification process. The summary review of submissions addressed in this part of the report was focused on the responsiveness of Generators, without additional inquiry by the IE.

To determine if adequate documentation was provided by the parties submitting displacement costs, the IE reviewed each of the other submissions, in order to allow the claimed amounts to be verified. The IE found that 5 of the 14 remaining submittals could be verified using information previously provided. Those 5 submittals all provided a copy of their power purchase agreement with energy price specified. The remaining nine Generators did provide data but for various reasons; this data was not sufficiently conclusive to support verification.

Following is a brief discussion of each of the 14 non-verified submittals supporting information.

Submittal 66-1, 66-3, 66-4, 66-5, 66-7 and 66-9

Contact and facility information was posted in submittal history on the web site and an invoice was provided in the required documents folder that did show rates for displacement and for energy cost. The invoice was for a specific month and did not address displacement costs in other periods, thus it is not clear whether the price contained in the invoice is appropriate for all displacement occurrences.

Submittals 67-1 and 67-2

Contact and facility information was posted to submittal history on the web site and the power purchase agreement was up loaded to the required documents folder. The power purchase agreement did show a specific energy price for this facility.

Submittal 71-1

The submittal history folder on the web site contains the facility data and contact information. The required document folder contains a copy of the power purchase agreement showing specific energy pricing.

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Submittals 73-3

The submittal history folder on the web site contains the facility data and contact information. The required document folder contains a contract price for renewable energy credits, which is not sufficient for verification.

Submittals 80-1

The submittal history folder on the web site contains the facility data and contact information. Additional data was provided in the filings by Generator folder in required documents. This data included a copy of the power purchase agreement with specific energy pricing.

Submittals 82-2

Contact and facility information was posted to submittal history on the web site and the power purchase agreement was up loaded to the required documents folder. The power purchase agreement did show a specific energy price for this facility.

Submittals 100-1

The submittal history folder on the web site contains the facility data and contact information. Additional data was provided in the filings by Generator folder in required documents. The additional data was documentation showing the asked price for renewable energy credits, which was not deemed to be sufficient for verification.

Submittal 103-1

Contact and facility information was posted to submittal history on the web site and a spreadsheet showing bid / asked data was up loaded to the required documents folder. No calculation was included that determined the energy price, thus verification could not be confirmed.

V. CONCLUSIONS

The Independent Evaluator found all of the submissions randomly selected for verification review to have sufficient documentation in support of claimed costs to enable the IE to affirm their submissions. However, the IE was required to make repeated requests for supporting documentation from many of the Generators before supporting information was provided. When documentation was ultimately provided, the IE was able to establish a basis for cost claims. As noted throughout this report, the IE lacks the authority to compel production of documents and, thus, is unable to require the Generators to provide the documents necessary for further investigation of the claimed costs, or to conduct an audit to determine whether costs charged by Generators are accurate. Accordingly, the IE accepted data as provided by the submitting entity and did not conduct an audit to determine the accuracy of the data provided, but rather accepted that Generators provided accurate information and did not fabricate documentation.

Three participants responded immediately upon receiving notification. Six more participants responded after a follow-up reminder. Only one Generator needed multiple contacts to obtain appropriate data. The primary difficulty was one of not having updated contact information for two of the ten selected Generators. Once the proper individuals were identified and contacted they were quite cooperative and

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provided documentation supporting verification in a very timely manner. Four of the participants provided data that was either incomplete or needed clarification, each of these was available for discussion and for submitting additional information.

In addition to the review of submissions selected for verification, the Independent Evaluator conducted a summary review of the filings provided for the submissions that were not selected for verification. The IE found that five out of the fourteen provided sufficient information as part of the original filings in March of 2013 to support displacement claims.